

ASSEMBLY BILL

No. 2097

Introduced by Assembly Member Morrell

February 20, 2014

An act to amend Sections 218 and 17053.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2097, as introduced, Morrell. Taxation: homeowners' exemption and renters' credit.

(1) Existing property tax law provides, pursuant to the authority of a specified provision of the California Constitution, for a homeowners' exemption in the amount of \$7,000 of the full value of a "dwelling," as defined, and authorizes the Legislature to increase this exemption.

This bill, beginning with the lien date for the 2015–16 fiscal year, would increase the homeowners' exemption from \$7,000 to \$20,000 of the full value of a dwelling. This bill would also require, for the 2016–17 fiscal year and for each fiscal year thereafter, the county assessor to adjust the amount of the homeowners' exemption by the percentage change, for the first 3 quarters of the prior calendar year, in the House Price Index for California, as specified.

(2) The California Constitution requires the Legislature, whenever it increases the homeowners' property tax exemption, to provide a comparable increase in benefits to qualified renters. The Personal Income Tax Law authorizes various credits against the taxes imposed by that law, including a credit for qualified renters in the amount of \$120 for married couples filing joint returns, heads of household, and surviving spouses if adjusted gross income is \$50,000 or less, and in the amount of \$60 for other individuals if adjusted gross income is

\$25,000 or less. Existing law requires the Franchise Tax Board to annually adjust for inflation these adjusted gross income amounts.

This bill would, for taxable years beginning on and after January 1, 2015, increase this credit for a qualified renter to \$340 for married couples filing joint returns, heads of household, and surviving spouses if adjusted gross income is \$50,000 or less, as adjusted for inflation, and to an amount equal to \$170 for other individuals if adjusted gross income is \$25,000 or less, as adjusted for inflation. The bill would also require, for taxable years beginning on or after January 1, 2016, the Franchise Tax Board to annually adjust for inflation, based upon the California Consumer Price Index, the amount of these credits. The bill would also make technical, nonsubstantive changes to the renters' credit.

(3) By requiring county assessors to implement a new amount for the property tax homeowners' exemption, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

(4) This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 218 of the Revenue and Taxation Code
2 is amended to read:
3 218. (a) The homeowners' property tax exemption is in the
4 amount of the assessed value of the dwelling specified in this
5 section, as authorized by subdivision (k) of Section 3 of Article
6 XIII of the California Constitution. That exemption shall be in the
7 amount of seven thousand dollars (\$7,000) of the full value of the
8 dwelling. is in the following amounts:
9 (1) Seven thousand dollars (\$7,000) of the full value of the
10 dwelling through the 2014–15 fiscal year.
11 (2) (A) Beginning with the lien date for the 2015–16 fiscal year,
12 twenty thousand dollars (\$20,000) of the full value of the dwelling.

1 (B) *Beginning with the lien date for the 2016–17 fiscal year and*
2 *for each fiscal year thereafter, the assessor shall adjust the*
3 *exemption amount of the prior fiscal year by the percentage*
4 *change, rounded to the nearest one-thousandth of 1 percent, in*
5 *the House Price Index for California for the first three quarters*
6 *of the prior calendar year, as determined by the federal Housing*
7 *Finance Agency.*

8 (b) (1) The exemption does not extend to property that is rented,
9 vacant, under construction on the lien date, or that is a vacation or
10 secondary home of the owner or owners, nor does it apply to
11 property on which an owner receives the veteran’s exemption.

12 (2) Notwithstanding paragraph (1), if a person receiving the
13 exemption is not occupying the dwelling on the lien date because
14 the dwelling was damaged in a misfortune or calamity, the person
15 shall be deemed to occupy that same dwelling as his or her
16 principal place of residence on the lien date, provided the person’s
17 absence from the dwelling is temporary and the person intends to
18 return to the dwelling when possible to do so. Except as provided
19 in paragraph (3), when a dwelling has been totally destroyed, and
20 thus no dwelling exists on the lien date, the exemption provided
21 by this section shall not be applicable until the structure has been
22 replaced and is occupied as a dwelling.

23 (3) A dwelling that was totally destroyed in a disaster for which
24 the Governor proclaimed a state of emergency, that qualified for
25 the exemption provided by this section prior to the commencement
26 date of the disaster and that has not changed ownership since the
27 commencement date of the disaster, shall be deemed occupied by
28 the person receiving the exemption on the lien date provided the
29 person intends to reconstruct a dwelling on the property and occupy
30 the dwelling as his or her principal place of residence when it is
31 possible to do so.

32 (c) For purposes of this section, all of the following apply:

33 (1) “Owner” includes a person purchasing the dwelling under
34 a contract of sale or who holds shares or membership in a
35 cooperative housing corporation, which holding is a requisite to
36 the exclusive right of occupancy of a dwelling.

37 (2) (A) “Dwelling” means a building, structure, or other shelter
38 constituting a place of abode, whether real property or personal
39 property, and any land on which it may be situated. A two-dwelling
40 unit shall be considered as two separate single-family dwellings.

1 (B) “Dwelling” includes the following:

2 (i) A single-family dwelling occupied by an owner thereof as
3 his or her principal place of residence on the lien date.

4 (ii) A multiple-dwelling unit occupied by an owner thereof on
5 the lien date as his or her principal place of residence.

6 (iii) A condominium occupied by an owner thereof as his or her
7 principal place of residence on the lien date.

8 (iv) Premises occupied by the owner of shares or a membership
9 interest in a cooperative housing corporation, as defined in
10 subdivision (i) of Section 61, as his or her principal place of
11 residence on the lien date. Each exemption allowed pursuant to
12 this subdivision shall be deducted from the total assessed valuation
13 of the cooperative housing corporation. The exemption shall be
14 taken into account in apportioning property taxes among owners
15 of share or membership interests in the cooperative housing
16 corporations so as to benefit those owners who qualify for the
17 exemption.

18 (d) The exemption provided for in subdivision (k) of Section 3
19 of Article XIII of the California Constitution shall first be applied
20 to the building, structure, or other shelter and the excess, if any,
21 shall be applied to any land on which it may be located.

22 SEC. 2. Section 17053.5 of the Revenue and Taxation Code
23 is amended to read:

24 17053.5. (a) (1) For a qualified renter, there shall be allowed
25 a credit against his or her “net tax,” as defined in Section 17039.
26 The amount of the credit shall be as follows:

27 (A) (i) For married couples filing joint returns, heads of
28 household, and surviving spouses, as defined in Section 17046,
29 the credit shall be equal to one hundred twenty dollars (\$120) if
30 adjusted gross income is fifty thousand dollars (\$50,000) or less.

31 (ii) *For taxable years beginning on or after January 1, 2015,*
32 *the credit shall be equal to three hundred forty dollars (\$340) for*
33 *taxpayers described in clause (i). For taxable years beginning on*
34 *or after January 1, 2016, the Franchise Tax Board shall adjust*
35 *the amount of the credit as provided by subdivision (j).*

36 (B) (i) For other individuals, the credit shall be equal to sixty
37 dollars (\$60) if adjusted gross income is twenty-five thousand
38 dollars (\$25,000) or less.

39 (ii) *For taxable years beginning on or after January 1, 2015,*
40 *the credit shall be equal to one hundred seventy dollars (\$170) for*

1 *taxpayers described in clause (i). For taxable years beginning on*
2 *or after January 1, 2016, the Franchise Tax Board shall adjust*
3 *the amount of the credit as provided by subdivision (j).*

4 (2) Except as provided in subdivision (b), a husband and wife
5 shall receive but one credit under this section. If the husband and
6 wife file separate returns, the credit may be taken by either or
7 equally divided between them, except as follows:

8 (A) If one spouse was a resident for the entire taxable year and
9 the other spouse was a nonresident for part or all of the taxable
10 year, the resident spouse shall be allowed one-half the credit
11 allowed to married persons and the nonresident spouse shall be
12 permitted one-half the credit allowed to married persons, prorated
13 as provided in subdivision (e).

14 (B) If both spouses were nonresidents for part of the taxable
15 year, the credit allowed to married persons shall be divided equally
16 between them subject to the proration provided in subdivision (e).

17 (b) For a husband and wife, if each spouse maintained a separate
18 place of residence and resided in this state during the entire taxable
19 year, each spouse will be allowed one-half the full credit allowed
20 to married persons provided in subdivision (a).

21 (c) For purposes of this section, a “qualified renter” means an
22 individual who satisfies both of the following:

23 (1) Was a resident of this state, as defined in Section 17014.

24 (2) Rented and occupied premises in this state which constituted
25 his or her principal place of residence during at least 50 percent
26 of the taxable year.

27 (d) “Qualified renter” does not include any of the following:

28 (1) An individual who for more than 50 percent of the taxable
29 year rented and occupied premises that were exempt from property
30 taxes, except that an individual, otherwise qualified, is deemed a
31 qualified renter if he or she or his or her landlord pays possessory
32 interest taxes, or the owner of those premises makes payments in
33 lieu of property taxes that are substantially equivalent to property
34 taxes paid on properties of comparable market value.

35 (2) An individual whose principal place of residence for more
36 than 50 percent of the taxable year is with ~~another~~ *any other* person
37 who claimed that individual as a dependent for income tax
38 purposes.

39 (3) An individual who has been granted or whose spouse has
40 been granted the homeowners’ property tax exemption during the

1 taxable year. This paragraph does not apply to an individual whose
2 spouse has been granted the homeowners' property tax exemption
3 if each spouse maintained a separate residence for the entire taxable
4 year.

5 (e) An otherwise qualified renter who is a nonresident for any
6 portion of the taxable year shall claim the credits set forth in
7 subdivision (a) at the rate of one-twelfth of those credits for each
8 full month that individual resided within this state during the
9 taxable year.

10 (f) A person claiming the credit provided in this section shall,
11 as part of that claim, and under penalty of perjury, furnish that
12 information as the Franchise Tax Board prescribes on a form
13 supplied by the board.

14 (g) The credit provided in this section shall be claimed on returns
15 in the form as the Franchise Tax Board may from time to time
16 prescribe.

17 (h) For purposes of this section, "premises" means a house or
18 a dwelling unit used to provide living accommodations in a
19 building or structure and the land incidental thereto, but does not
20 include land only, unless the dwelling unit is a mobilehome. The
21 credit is not allowed for any taxable year for the rental of land
22 upon which a mobilehome is located if the mobilehome has been
23 granted a homeowners' exemption under Section 218 in that year.

24 (i) This section shall become operative on January 1, 1998, and
25 applies to any taxable year beginning on or after January 1, 1998.

26 (j) For each taxable year beginning on or after January 1, 1999,
27 the Franchise Tax Board shall recompute the adjusted gross income
28 amounts set forth in subdivision (a). ~~The computation~~ *For each*
29 *taxable year beginning on and after January 1, 2016, the Franchise*
30 *Tax Board shall also recompute the amount of the credit set forth*
31 *in subdivision (a). These computations shall be made as follows:*

32 (1) The Department of Industrial Relations shall transmit
33 annually to the Franchise Tax Board the percentage change in the
34 California Consumer Price Index for all items from June of the
35 prior calendar year to June of the current year, no later than August
36 1 of the current calendar year.

37 (2) The Franchise Tax Board shall compute an inflation
38 adjustment factor by adding 100 percent to ~~the~~ *that* portion of the
39 percentage change figure ~~which is~~ furnished pursuant to paragraph
40 (1) and dividing the result by 100.

1 (3) The Franchise Tax Board shall multiply the ~~amount in~~
2 ~~subparagraph (B) of~~ *amounts in* paragraph (1) of subdivision (d)
3 (a) for the preceding taxable year by the inflation adjustment factor
4 determined in paragraph (2), and round off the resulting products
5 to the nearest one dollar (\$1).

6 (4) In computing the amounts pursuant to this subdivision, the
7 amounts provided in subparagraph (A) of paragraph (1) of
8 subdivision (a) shall be twice the amount provided in subparagraph
9 (B) of paragraph (1) of subdivision (a).

10 SEC. 3. If the Commission on State Mandates determines that
11 this act contains costs mandated by the state, reimbursement to
12 local agencies and school districts for those costs shall be made
13 pursuant to Part 7 (commencing with Section 17500) of Division
14 4 of Title 2 of the Government Code.

15 SEC. 4. This act provides for a tax levy within the meaning of
16 Article IV of the Constitution and shall go into immediate effect.